

ASSEMBLY BILL

No. 1460

Introduced by Assembly Member Solorio

February 27, 2009

An act to add Section 13997.5 to, and to repeal and add Section 15570 of, the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 1460, as introduced, Solorio. Economic development.

(1) Existing law requires the Secretary of Labor and Workforce Development to convene a biennial economic strategy panel, known as the California Economic Strategy Panel and consisting of specified appointed members, for purposes of providing recommendations regarding a California Economic Development Strategic Plan and to review those recommendations made by the panel in its biennial economic development strategic plan document, as specified. Existing law requires the panel to address various specified matters of concern, including the development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. Existing law also requires the panel to submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting after January 1, 2005.

This bill would, instead, require the California Economic Strategy Panel to prepare and submit a preliminary version of the California Economic Development Strategic Plan to the Governor and the Legislature prior to January 1, 2011, and to prepare a final version of the plan within 5 months of the conclusion of required hearings by the Legislature on the preliminary version of the plan. The bill would require

the development of the plan to be funded from private donations. The bill would require the Secretary of Labor and Workforce Development to collaborate with the Secretaries of Business, Transportation and Housing and Food and Agriculture in leading the preparation of the California Economic Development Strategic Plan and would require the panel to assess specified matters in preparing the plan, to consult with other state entities, and to review and include certain materials appropriate to completion of the plan. The bill would require that particular components be included in the plan and would delete a system of accountability for use in the state budget process from required elements for the panel's consideration. The bill would require the panel to review the plan 5 years after its finalization and every 5 years thereafter and to update the plan as the panel determines necessary. The bill would modify the composition of the California Economic Strategy Panel by adding the Secretary of Business, Transportation and Housing, the Secretary of Food and Agriculture, the Director of the Office of Small Business Advocate, and the Executive Director of the California Council on Science and Technology, as members of the panel and would, beginning October 1, 2011, require the panel to report biennially to the Legislature on its activities.

(2) Existing law creates the California Economic Development Fund, and provides for the deposit of government and private economic development funds into it. Under existing law, these funds, upon appropriation by the Legislature, may be expended by the Secretary of Business, Transportation and Housing for economic development purposes.

This bill would authorize the Secretary of Business, Transportation and Housing to accept monetary gifts, which would be deposited in the California Economic Development Fund, for the cost of developing and updating economic and workforce development studies, strategies, and policies. The bill would require the secretary to record each gift and to file a copy of the record with the Business, Transportation and Housing Agency.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known and may be cited as the
- 2 California Innovation, Technology, and Science Policy Act.

SEC. 2. The Legislature finds and declares all of the following:

(a) California is the eighth largest economy in the world, with a gross state product of over one trillion seven billion dollars (\$1,700,000,000,000). The state's significance in the global marketplace results from a variety of factors, including the following:

(1) Its strategic west coast location that provides direct access to the growing markets and technology centers in Asia, Mexico, and Latin America.

(2) Its diverse regional economies.

(3) Its large, young, and ethnically diverse population that provides a ready workforce, a source of cultural intelligence for pursuing international business, and a significant consumer base.

(4) Its access to a wide variety of venture and other private capital.

(5) Its large number and broad base of small- and medium-sized businesses.

(6) Its rich inventory of skilled participants in an innovation economy, including not only technologists and scientists, but also designers and entrepreneurs.

(7) Its history of pioneering innovation business models, with the Hollywood entertainment industry, electronic commerce, venture capital businesses, and the Lockheed skunk works representing some well-known examples of this innovation.

(8) Its culture of innovation and entrepreneurship, particularly in the area of high technology.

(b) In general, California is well-positioned to take advantage of the new technologies and innovations. However, other states and foreign countries are also vying for direct investment and for leadership in current and emerging technology industries as well as the sciences supporting and relating to those industries. Connecticut, Massachusetts, Texas, New Mexico, New York, New Jersey, Florida, and Pennsylvania all have proactive economic competitiveness policies. Countries in Europe and Asia, such as Finland and Singapore, are also successfully pursuing national innovation strategies. Germany and Japan have already surpassed California's once leading position in solar and wind energy through targeted policies and initiatives.

(c) The bases for competition in an increasingly globalized innovation economy are shifting. California can no longer compete

1 based on being the low-cost player. The increasing desirability of
2 countries, such as China, to companies seeking to outsource
3 manufacturing services and research and development is well
4 known. Dozens of countries around the world are pursuing national
5 innovation agendas at flank speed as the perception grows of a
6 global value chain with many different players and phases:
7 scientific discovery, research and development, business
8 development, management and logistics innovation, energy
9 efficiency, increases in productivity, and commercialization. These
10 countries are working to carve out new positions in this global
11 value chain. Given this global context, California must reexamine
12 and reframe its role within the emerging global innovation
13 economy and develop skills of systems integration and
14 collaboration in a world in which competition is less about “I win,
15 you lose” dynamics and more about “co-opetition,” with the value
16 chain spreading out around the world to serve regional and local
17 markets.

18 (d) California could lose its pivotal global role in the design and
19 manufacture of technologies by not implementing its own
20 proactive, aggressive, and comprehensive strategy for supporting
21 California’s technology-based industries, including, but not limited
22 to, computers, commercial space, biotech, digital media, Web 2.0,
23 cleantech, energy generation, and nanotech.

24 (e) Supporting the state’s technology economy will require the
25 state to increase its investment in the human and physical
26 infrastructure necessary to support this type of innovation. This
27 investment cannot simply fund “more of the same.” Rather, the
28 state needs new kinds of fundable strategies that will lead it into
29 new streams of opportunities.

30 (f) California’s innovation and technology policies should be
31 regularly updated to reflect emerging scientific developments,
32 business and financing trends, and the changing needs of
33 California’s businesses and workers. It should seek to capitalize
34 on best practices in strategic and technology foresight and related
35 time dynamics that tie critical trends and actions together in order
36 to capture a sense of the emerging agendas and emerging
37 large-scale challenges that galvanize resources and the public’s
38 imagination.

39 (g) California’s innovation and technology policies must pay
40 attention to the methods used by educational institutions to provide

1 critical advantages that leverage workforce training innovations
2 in this new global economy. The California institutes provide an
3 example of research innovation in this area. Other countries are
4 now innovating in their education enterprise, and a recent example
5 of this process is Finland's announcement of an "Innovation
6 University."

7 (h) To be successful, the state's innovation and technology
8 policies must reflect a stewardship function that addresses
9 fundamental questions such as who will be responsible; what
10 authorities and resources will be provided to do the work; what
11 provisions will be made to assure sustainability of the effort; and
12 how will the state know that it is making the right decisions to
13 support future business competitive advantages?

14 SEC. 3. Section 13997.5 is added to the Government Code, to
15 read:

16 13997.5. (a) The Secretary of Business, Transportation and
17 Housing may accept monetary gifts to pay for a part of, or the
18 entire cost of, developing and updating the California Economic
19 Development Strategic Plan pursuant to Section 15570. Any
20 moneys received as a gift pursuant to this section shall be deposited
21 in the California Economic Development Fund, established
22 pursuant to Section 13997.6. Records of donations received and
23 expenditures made pursuant to this section shall be subject to public
24 disclosure.

25 (b) The secretary shall record each gift received pursuant to this
26 section, including all of the following information for each gift:

27 (1) The donor's name and the amount of the donation.
28 (2) A description of the manner in which the donation was
29 expended.

30 (c) The secretary shall, within 30 days of receipt of the donation,
31 provide a copy of the record to the Business, Transportation and
32 Housing Agency, and the agency shall maintain the record with
33 its statements of economic interests.

34 SEC. 4. Section 15570 of the Government Code is repealed.

35 ~~15570. (a) The secretary shall lead the preparation of a biennial~~
36 ~~California Economic Development Strategic Plan. In fulfilling this~~
37 ~~duty, the secretary shall do the following:~~

38 ~~(1) Review the recommendations made by the California~~
39 ~~Economic Strategy Panel in their biennial economic development~~
40 ~~strategic plan document. This document shall make~~

1 recommendations regarding an economic development strategic
2 plan for the state, covering a two-year time period and containing
3 a statement of economic goals for the state, a prioritized list
4 identifying significant issues learned from economic development
5 strategic plan panel meetings, proposals for legislation, regulations,
6 and administrative reforms necessary to improve the business
7 climate and economy of the state, evaluation of the effectiveness
8 of the state's economic development programs, a list of key
9 industries in which the state shall focus its economic development
10 efforts, and strategies to foster job growth and economic
11 development covering all state agencies, offices, boards, and
12 commissions that have economic development responsibilities.

13 (2) Convene a biennial economic strategy panel to provide
14 recommendations regarding a California economic development
15 strategic plan. This panel shall conduct meetings in Sacramento,
16 all cities of the state with populations over 500,000, and in major
17 cities of other regions of California as designated by the secretary.
18 The secretary shall invite businesses, labor unions, organizations
19 representing the interests of diverse ethnic and gender groups,
20 local government leaders, academic economists and business
21 professors, chambers of commerce and other business
22 organizations, government agencies, and key industries to
23 contribute to the preparation of the recommended economic
24 strategy. These meetings shall address at least the following matters
25 of concern:

26 (A) Strengths and weaknesses of the California economy and
27 the state's prospects for future economic prosperity.

28 (B) Emerging and declining industries in California and
29 elsewhere.

30 (C) Effectiveness of California's economic development
31 programs in creating and retaining jobs and attracting industries.

32 (D) Adequacy of state and local physical and economic
33 infrastructure.

34 (E) Government impediments to economic development.

35 (F) The development of a system of accountability for use in
36 the annual state budget process and in the legislative process to
37 measure the performance of all state policies, programs, and tax
38 expenditures intended to stimulate the economy. In developing a
39 system of accountability, the panel shall, by using only existing

resources and without future budget augmentation made for this purpose, do all of the following:

- (i) Develop a standard definition of economic development.
 - (ii) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.
 - (iii) Survey and evaluate efforts in other states to develop accountability measures for public investments in economic development.
 - (iv) Determine whether a return on investment calculation is feasible for public investments in economic development.
 - (v) Conduct a comparative study of various methodologies for preparing the economic development sections of a state budget, including unified functional budget, zero-based budget, and performance-based budget methodologies.
 - (vi) Study the feasibility of statutory disclosure requirements on specified publicly funded subsidies to private sector businesses.
 - (vii) Submit a report of its findings and recommendations regarding this subparagraph to the Legislature no later than one year after its first meeting after January 1, 2005.
- (b) The panel shall be composed of the following 15 members:
- (1) The Secretary of Labor and Workforce Development, who shall serve as chair of the panel.
 - (2) Eight persons appointed by the Governor.
 - (3) The Speaker of the Assembly or his or her designee.
 - (4) The President pro Tempore of the Senate or his or her designee.
 - (5) The Minority Leader of the Assembly or his or her designee.
 - (6) The Minority Leader of the Senate or his or her designee.
 - (7) One person appointed by the Speaker of the Assembly.
 - (8) One person appointed by the Senate Committee on Rules.
- (c) The panel shall be representative of state government, business, labor, finance, and academic institutions, and shall be broadly reflective of the state's population as to gender, ethnicity, and geographic residence within California.

At least one-half of all the persons on the panel shall be from the private sector and at least two appointments shall be from private businesses with less than 50 employees. At least two appointments shall be from rural areas of the state. Beginning January 1, 2004, appointments to the panel shall be for four-year

1 terms, except that the Governor's appointments made pursuant to
2 paragraph (2) of subdivision (b) shall be made as follows:

3 (1) ~~Four members shall be appointed on January 1, 2004, and~~
4 ~~every four years thereafter.~~

5 (2) ~~Four members shall be appointed on January 1, 2004, for a~~
6 ~~two-year term.~~

7 (3) ~~Upon the expiration of the initial appointments made~~
8 ~~pursuant to paragraph (2), four members shall be appointed on~~
9 ~~January 1, 2006, and every four years thereafter.~~

10 (d) ~~The secretary shall deliver copies of the economic strategy~~
11 ~~panel's recommended California economic development strategic~~
12 ~~plan to every constitutional officer, legislator, member of the~~
13 ~~Governor's cabinet, members of the economic development~~
14 ~~strategic plan panel, and every state agency, office, board, and~~
15 ~~commission having economic development responsibilities.~~

16 (e) ~~In each succeeding two-year cycle, the secretary shall~~
17 ~~undertake this process anew, so as to update the economic strategy~~
18 ~~on or before October 31 of each succeeding second year.~~

19 SEC. 5. Section 15570 is added to the Government Code, to
20 read:

21 15570. (a) The California Economic Strategy Panel within the
22 office of the Secretary of Labor and Workforce Development shall
23 research, facilitate outreach, and make policy and fiscal
24 recommendations to the Governor and the Legislature on issues
25 related to economic and workforce development.

26 (b) (1) The panel shall be composed of the following 19
27 members:

28 (A) The Secretary of Labor and Workforce Development, who
29 shall serve as the chairperson of the panel.

30 (B) The Secretary of Business, Transportation and Housing.

31 (C) The Secretary of Food and Agriculture.

32 (D) Eight persons appointed by the Governor, at least one of
33 whom shall have a background in economic development.

34 (E) The Speaker of the Assembly or his or her designee.

35 (F) The President pro Tempore of the Senate or his or her
36 designee.

37 (G) The Minority Leader of the Assembly or his or her designee.

38 (H) The Minority Leader of the Senate or his or her designee.

39 (I) One person appointed by the Speaker of the Assembly.

40 (J) One person appointed by the Senate Committee on Rules.

1 (K) The Director of the Office of Small Business Advocate.

2 (L) The Executive Director of the California Council on Science
3 and Technology.

4 (2) Members of the panel shall be representatives of state
5 government, business, economic developers, labor, finance, and
6 academic institutions, and shall be broadly reflective of the state's
7 population as to gender, ethnicity, and geographic residence within
8 California.

9 (3) At least one-half of all the persons on the panel shall be from
10 the private sector, and at least two appointments shall be from
11 private businesses with less than 50 employees. At least two
12 appointments shall be from rural areas of the state.

13 (4) Beginning January 1, 2010, appointments to the panel shall
14 be for four-year terms, except that the Governor's appointments
15 made pursuant to subparagraph (D) of paragraph (1) shall be made
16 as follows:

17 (A) Four members shall be appointed on January 1, 2010, and
18 every four years thereafter.

19 (B) Four members shall be appointed on January 1, 2010, for a
20 two-year term.

21 (C) Upon the expiration of the initial appointments made
22 pursuant to subparagraph (B), four members shall be appointed
23 on January 1, 2012, and every four years thereafter.

24 (D) All members of the panel as of January 1, 2016, shall
25 continue to serve as members of the panel for the remaining
26 duration of their terms.

27 (c) In fulfilling the duties described in subdivision (a), the
28 secretary shall, working in collaboration with the Secretary of
29 Business, Transportation and Housing and the Secretary of Food
30 and Agriculture, satisfy all of the requirements of this section.

31 (d) Among other activities, the panel shall prepare the California
32 Economic Development Strategic Plan. The secretary, working in
33 collaboration with the Secretary of Business, Transportation and
34 Housing, and the Secretary of Food and Agriculture, shall lead the
35 preparation of the plan. The secretaries shall invite businesses,
36 labor unions, organizations representing the interests of diverse
37 ethnic and gender groups, local government leaders, academic
38 economists and business professors, national laboratories, the
39 University of California, the California State University, private
40 research universities, the California Community Colleges,

1 chambers of commerce, business organizations in biotech,
2 nanotech, multimedia, information technology, and similar fields,
3 government agencies, and key industries to provide advice on
4 economic development issues and to contribute to the preparation
5 of the recommended economic strategy.

6 (e) As part of its deliberations in preparing the California
7 Economic Development Strategic Plan, the panel shall, at a
8 minimum, include an assessment of the following factors:

9 (1) Strengths and weaknesses of the California economy within
10 a regional, national, and global context and the state's prospects
11 for future economic prosperity, identifying industries and
12 businesses in the state's nine regional economies that are significant
13 in 2010, and those that are likely to be significant in 2020.

14 (2) Current and emerging trends, industries, and services and
15 areas of the state, including electronic and surface or air
16 transportation logistical capabilities, with a comparative advantage
17 to other states and foreign countries. The assessment shall include
18 a discussion of the state of innovation in foreign countries and the
19 potential impact of the growing innovative capacity of foreign
20 countries on the state's ability to compete in the global economy,
21 including advantages that businesses, research institutions, and
22 financial sectors in the state could obtain by networking with
23 foreign countries in a smart and productive manner.

24 (3) Effectiveness of California's economic and workforce
25 development programs in creating and retaining jobs, improving
26 productivity, increasing innovation, providing 21st century
27 workforce skills, and attracting industries providing employment
28 within the state's core and emerging industry clusters. The
29 assessment shall also include the ways in which public resources,
30 such as angel capital networks, may be more effectively leveraged
31 to attract additional private investment within the state's
32 communities and small businesses.

33 (4) Adequacy of state and local physical, electronic, and human
34 infrastructure, including digitally related skills, to meet the state's
35 current and future needs. The analysis shall also include a
36 discussion of the appropriate role for state government to improve
37 inadequacies identified in the state's physical and human
38 infrastructure.

39 (5) Government impediments to economic development.

1 (6) The role of innovation in keeping the state's regional vibrant
2 economies, including models and strategies that encourage
3 partnerships among public, academic, and private entities, located
4 in this state or other states, that support the state's core and
5 emerging industries.

6 (7) The unique opportunities and challenges in developing
7 businesses and attracting investment along the state's border areas
8 and in emerging domestic markets.

9 (8) A review of significant literature by the federal government,
10 state governments, foreign countries, and international associations
11 concerning competitive advantages.

12 (f) As part of its deliberations in preparing the California
13 Economic Development Strategic Plan, as well as other projects
14 and activities of the panel, the panel shall, at a minimum, consult
15 with other state entities, including, but not limited to, the Office
16 of Military and Aerospace Support, the California Commission
17 on Industrial Innovation, the California Transportation
18 Commission, the California Workforce Investment Board, the
19 Employment Training Panel, the California Small Business Board,
20 the Small Business Council on Procurement, the office of the
21 Treasurer, the California Organized Investment Network, the
22 Department of Insurance, the California Infrastructure and
23 Economic Development Bank, and the State Energy Resources
24 Conservation and Development Commission.

25 (g) As part of its deliberations in preparing the California
26 Economic Development Strategic Plan, as well as other projects
27 and activities of the panel, the panel shall, at a minimum, review
28 and include, as appropriate, any of the following materials:

29 (1) The most recent version of the State Transportation Plan,
30 including those portions related to trade infrastructure and goods
31 movement.

32 (2) The significant findings and recommendations of the current
33 international trade and foreign investment strategies of the state
34 and of local governments.

35 (3) The findings and recommendations of the Environmental
36 Goals and Policy Report, of energy generation and
37 generation-related reports, and of global warming studies related
38 to the state.

1 (4) The findings and recommendations of the five-year
2 infrastructure plan prepared pursuant to Article 2 (commencing
3 with Section 13100) of Chapter 2 of Part 3.

4 (5) The findings and recommendations of other key stakeholder
5 organizations related to workforce and economic development.

6 (h) Based on the assessment by the panel pursuant to subdivision
7 (e), the California Economic Development Strategic Plan shall
8 include, at a minimum, the following components:

9 (1) Policy goals, objectives, and recommendations required to
10 implement a comprehensive economic and workforce development
11 strategic plan for the state, identifying the priority for each within
12 the overall strategy.

13 (2) Measurable outcomes and timelines for implementing the
14 goals, objectives, and recommendations for the strategic plan
15 showing the way in which key policy development and
16 implementation efforts are coordinated with emerging issues.

17 (3) Identification of impediments to achieving the goals,
18 objectives, and recommendations described in paragraph (1) and
19 the way in which they will delay the state's ability to improve its
20 competitive position.

21 (4) Identification of key stakeholder partnerships to use in
22 implementing the California Economic Development Strategic
23 Plan.

24 (5) Identification of options for funding the goals, objectives,
25 and recommendations described in paragraph (1).

26 (6) Identification of an organizational structure, including global
27 logistical and Internet-based networks, for the implementation of
28 the policies, programs, and services recommended in the California
29 Economic Development Strategic Plan, including a communication
30 plan for key constituencies that details the way in which the plan
31 interfaces with private, academic, and private nonprofit
32 corporations.

33 (i) (1) The panel shall prepare a preliminary California
34 Economic Development Strategic Plan and submit it to the
35 Governor, the Chief Clerk of the Assembly, and the Secretary of
36 the Senate prior to January 1, 2011. The Chief Clerk of the
37 Assembly and the Secretary of the Senate shall distribute the
38 preliminary strategic plan to the relevant policy and fiscal
39 committees of the Legislature.

1 (2) Development of the plan pursuant to this subdivision shall
2 be funded from private donations.

3 (j) The relevant policy and fiscal committees of each house of
4 the Legislature shall review the preliminary strategic plan, holding
5 hearings within 90 days of the date it is submitted to the
6 Legislature. If the preliminary strategic plan is submitted to the
7 committees when the Legislature is in recess, the hearings shall
8 occur within 90 days of the date that the Members convene. The
9 committees may make recommendations to the panel on the
10 preliminary strategic plan, and the panel may modify the
11 preliminary strategic plan in accordance with those
12 recommendations.

13 (k) Within five months of the final hearing held by the
14 Legislature on the preliminary strategic plan, the panel shall prepare
15 the final version of the California Economic Development Strategic
16 Plan. The panel, the Secretary of Labor and Workforce
17 Development, the Secretary of Business, Transportation and
18 Housing, and the Secretary of Food and Agriculture shall post the
19 preliminary and the final California Economic Development
20 Strategic Plan on their Internet Web sites.

21 (l) The panel shall review the California Economic Development
22 Strategic Plan within five years of the date it was prepared, and
23 every five years thereafter, and update the plan as the panel deems
24 appropriate. Nothing in this subdivision prohibits the panel from
25 reviewing or updating the plan more frequently.

26 (m) Beginning October 1, 2011, and biennially thereafter, the
27 panel shall report to the Chief Clerk of the Assembly and the
28 Secretary of the Senate on its activities during the preceding 24
29 months. The Chief Clerk of the Assembly and the Secretary of the
30 Senate shall transmit the report to the relevant fiscal and policy
31 committees of the Legislature.